Fiscal Year 2014-15 Narrative Budget Report and

Long Range Financial Forecast

April 29, 2014

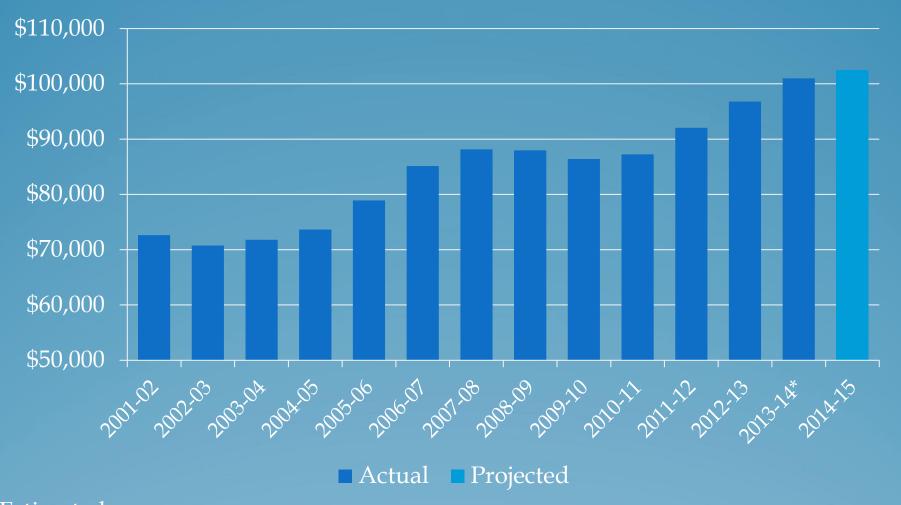
OUTLINE

- Long-Range Financial Forecast
- General Operating Fund
- Other Funds and Reserves
- City Council Major Goals
- Next Steps

GOF 10-YEAR FORECAST INTRODUCTION

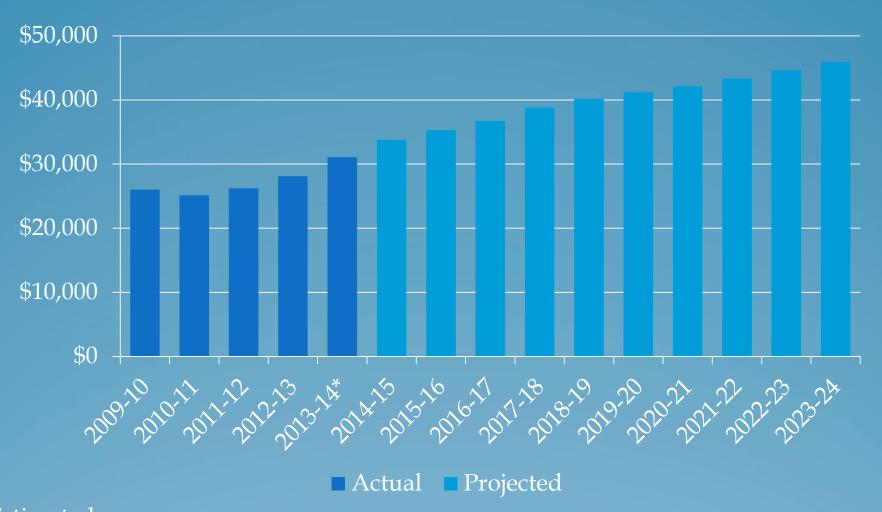
- Continued recovery
- Unemployment continues to improve
- Vacant space utilization
- Property values recovered

REVENUE HISTORY



^{*} Estimated (dollars in thousands)

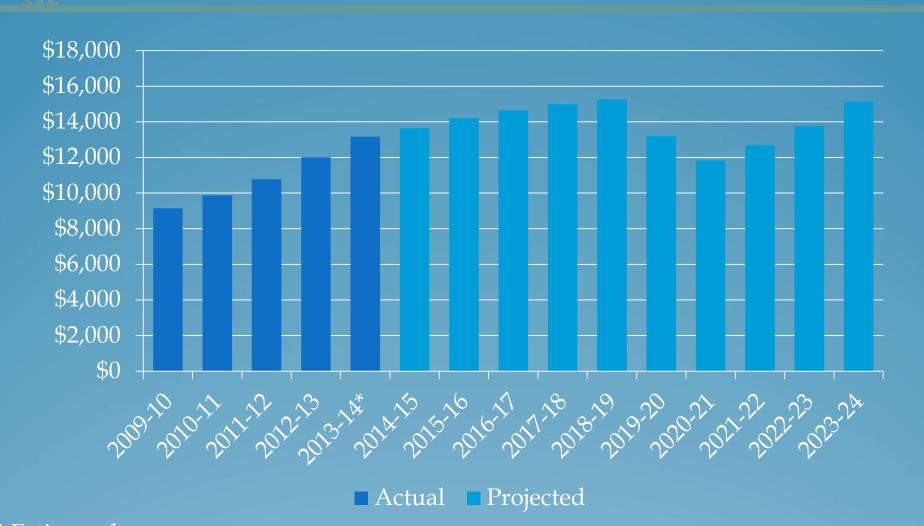
PROPERTY TAX REVENUES



SALES TAX REVENUES

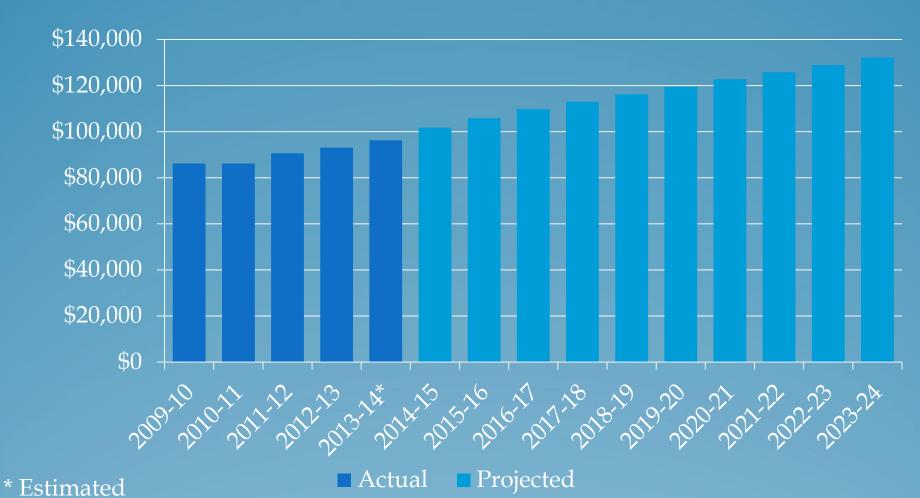


OTHER LOCAL TAXES REVENUES



^{*} Estimated (dollars in thousands)

EXPENDITURES



(dollars in thousands)

GOF OPERATING BALANCE FORECAST



^{*} Estimated (dollars in thousands)

SUMMARY

- Strong revenue growth projected to continue
- Modest COLA included in FY 2015-16
- PERS rate impact beginning in FY 2016-17
- Forecasted deficits beginning in FY 2019-20

GENERAL OPERATING FUND

FY2014-15 BUDGET

BACKGROUND

Four years of budget reductions:

- \$7.4 M over the past four years (operational efficiencies and expenditure reductions)
- Elimination of more than 31 FTE positions
- Supplemental revenues (\$2.3M) and employee cost containment (\$2.2M)

FY 13-14: First year budget reductions not required

ESTIMATED FY 2013-14 CARRYOVER

Estimated GOF Operating Balance	\$4,777
Estimated One-Time Revenues	115
Other	132
Reimbursement from Development Services	<u>1,521</u>

Total Estimated Balance Available

\$6,545

PROJECTED INCREASE IN EXPENDITURES

Expend	liture	Changes:

Compensation Changes \$ 1,154 Retirement (PERS) \$ 1,212

Health and Other Benefits 83

Total Salaries and Benefits 2,449

Other Nonpersonnel Miscellaneous 623

Expenditures Recommended <u>578</u>

Total Other <u>1,201</u>

Total Expenditure Increase \$3,650

(dollars in thousands)

FY 2014-15 RECOMMENDED BUDGET

- Non-Discretionary Increases
- Discretionary Expenditures
- Limited-Period Recommendations

Projected Operating Balance: \$2.0 million

FY 2014-15 RECOMMENDATIONS

Key Non-Discretionary Increases

City Utility Costs

218,800

PG&E Cost Increase

110,000

Software and Hardware Maintenance

15,500

Total Non-Discretionary Increases: \$367,200

FY 2014-15

RECOMMENDATIONS (cont.)

Key Recommended Discretionary Expenditures

•	Amphitheatre/Special Events		\$ 67,800
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- Recreation City-Wide Event Programming 41,000
- Library Materials 25,000
- Aquatics Staffing 21,000
- PEMHCA Administrative Fee 12,000
- MV Police Activities League 5,000
- CPC Recommendations 2,800

Total Discretionary Expenditures: \$210,900

(Offset by \$175,000 in new revenues)

FY 2014-15

RECOMMENDED BUDGET

Total Projected Revenues	\$104,213	
Revenue Recommendations	(1,719)	
Recommended Revenues		102,494
Total Projected Expenditures	(99,149)	
Recommendations:		
Non-discretionary Increases	(367)	
Discretionary Increases	(211)	
Recommended Expenditures		(99,727)
Retirees' Health Funding		(1,000)
Development Services		<u>197</u>
Net Balance		\$ <u>1,964</u>

(dollars in thousands)

GENERAL OPERATING FUND BUDGET

	2012-13	2013-14	2013-14	2014-15
	<u>Audited</u>	<u>Adopted</u>	Estimated	Recom'd
Revenues	\$ 96,811	97,567	100,992	102,494
Expenditures	(93,041)	(95,276)	(96,215)	(99,727)
Retirees' Health Tru	-0-	-0-	-0-	(1,000)
Development Service	ces <u>-0</u> -		<u>-0</u> -	<u> 197</u>
Operating Balance	$3,770^{(1)}$	2,291	4,777	1,964

(1) Balance transferred to General Non-Operating Fund (\$3.0 million) and General Fund Reserve (\$800,000).

(dollars in thousands)

FY 2014-15 LIMITED-PERIOD RECOMMENDATIONS

Key Recommendations:

•	Firefighter Overtime \$	5 187,500
•	Mobility Coordinator Position	150,000
•	Associate Civil Engineer – Traffic (0.65 FTE)	110,500
•	November 2014 Election	100,000
•	Communications Coordinator Position (0.50 FTE)	70,000
•	Financial Analyst I/II Position (0.25 FTE)	35,000
•	Civica Website Training	20,000
•	Council Team Building	2,500

Total Limited Period Recommendations: \$774,000

ESTIMATED FY 2013-14 CARRYOVER USES

Total Estimated Balance Available	\$ 6,545
Recommended Allocations:	
Non-discretionary:	
Limited-Period Expenditures	(774)
General Fund Reserve ⁽¹⁾	(915)
Compensated Absences Reserve	(1,200)
Workers' Compensation Reserve	(300)
Discretionary:	
Capital Improvement Reserve ⁽²⁾	(1,356)
Retirees' Health OPEB	(1,000)
PERS	(1,000)
Total Recommended Allocations	(6,545)
Estimated Remaining Balance Available	\$ -0-

- (1) To be determined with the Adopted Budget.
- (2) Recommended any balance remaining to be allocated to the CIP Reserve up to \$2.0 million.

(dollars in thousands)

FY 2014-15 FEE RECOMMENDATIONS

- Departments review fees and modify existing fees
- Complete listing of all fees in the Master Fee Schedule
- Most fees recommended with inflationary increases
- Key New Fees
 - Film/Photo Permits
 - Senior Annual Family Frequent Player
 - Teen Center Facility Rental
 - Color Duplex

FY 2014-15

OTHER FUNDING REQUESTS

- Housing Boomerang Funds
 - One time \$ 149,800
 - Ongoing 51,000 or 140,000
- Energy Upgrade Mountain View (Limited-Period) 70,000
- Sister Cities
 - Iwata 40th anniversary celebration (Limited-Period) 5,000
 - International annual conference (Limited-Period) 500
- Community Choice Aggregation
 (Limited-Period)
 Up to 30,000

GENERAL OPERATING FUND DISCUSSION

Council feedback requested on the following:

- Recommendations
- New and Modified Fees
- Other Funding Requests

OTHER FUNDS

FY 2014-15 BUDGET

GF – BUILDING/DEVELOPMENT SERVICES HIGHLIGHTS

Current Fiscal Year

- Development activity remains strong
- Revenues are estimated to be \$1.3 M higher than budget

Fiscal Year 2014-15

- Development revenue expected to remain strong
- Consolidation of development-related services into Development Services Fund

GF – DEVELOPMENT SERVICES CONSOLIDATION

- Expands the Building Services Fund to include development-related activities from other sections:
 - General Planning
 - Private Development Planning
 - Traffic
 - Land Development
 - Construction
- Transfers \$2.6 M of expenditures and \$2.2 M of revenues to the new Development Services Fund

GF – DEVELOPMENT SERVICES RECOMMENDATIONS

Key Recommendations:

- Reimbursements to Other Funds: \$1.9 M Limited-Period
- Associate Civil Engineer Construction Position: \$170,000 Limited Period
- Multi-Family Housing Program: \$157,500 Limited-Period
- Senior Planner Position: \$155,500 Limited-Period
- Associate Planner Position: \$143,600 Limited-Period
- Office Assistant II Position: \$95,300 Limited-Period
- Associate Civil Engineer Position (0.50): \$85,000 Limited-Period
- Construction Inspection Overtime: \$75,000 Ongoing
- Congestion Management Agency Multimodal Plan: \$50,000 Limited-Period
- CIP East Whisman Precise Plan: \$590,000

GF - SHORELINE GOLF LINKS HIGHLIGHTS

Current Fiscal Year

- Financial status of golf course continues to improve
- Operating balance/net profit of \$75,000

Fiscal Year 2014-15

- Continued financial status improvement
- Projected revenues at \$2.7 M
- Expenditures projected at \$2.5 M
- Projected \$225,000 to be available to transfer to the General Operating Fund

GF - SHORELINE GOLF LINKS RECOMMENDATIONS

Key Recommendations:

- Touchstone Contract Personnel: \$46,400 Ongoing
- Irrigation Water: \$41,000 Ongoing

FORMER REVITALIZATION AUTHORITY HIGHLIGHTS

Current Fiscal Year

- Comprehensive wind down and dissolution plan approved by the County, Oversight Board, and DOF
- DOF issued Finding of Completion and approval of the Long-Range Property Management Plan
 - Transfer of assets, including properties
- 2003 COPs have been called

Pending

• Approval of the Compensation Agreement by taxing entities

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SHORELINE REGIONAL PARK COMMUNITY HIGHLIGHTS

Current Fiscal Year

- Total estimated revenues \$4.8 M higher than budget
- Expenditures on target at \$25.8 M
- 2001 and 2004 Tax Allocation Bonds called and replaced by \$12.1 M loan

Fiscal Year 2014-15

- Property taxes projected to decline due to commercial AV appeals anticipated to be processed
- Capital Improvement Projects \$2.9 M
- Reserve Funding \$7.9 M

SHORELINE COMMUNITY RECOMMENDATIONS

Key Recommendations:

- Irrigation Water: \$150,000 Ongoing
- Transportation Management Association: \$75,000 Limited-Period/ \$10,000 Ongoing
- Associate Civil Engineer Traffic (0.25): \$42,500 Limited-Period
- Associate Civil Engineer (0.15): \$25,500 Limited-Period
- Amphitheatre Patrol: \$14,000 Ongoing
- Contract Increases: \$11,100 Ongoing
- Precise Plan Noticings: \$6,000 Limited-Period

WATER FUND HIGHLIGHTS

Current Fiscal Year

- Adopted 9.0 percent rate increase and rate restructuring
- Revenues \$2.9 M higher than budget due to higher water use
- Expenditures slightly above budget higher water sales offset by savings in operations

Fiscal Year 2014-15

- 7.0 percent rate increase for average cost of water, 2.4 percent increase for meter rates and recycled water
 - 19.6 percent SFPUC wholesale water cost increase
 - 8.6 percent (treated water) and 9.9 percent (well water) from SCVWD
- Capital Improvement Projects \$2.8M

WATER FUND RECOMMENDATIONS

Key Recommendations:

- Associate Civil Engineer position (0.15): \$25,500 Limited-Period
- BAWSCA Membership Dues: \$8,000 Ongoing

WASTEWATER FUND HIGHLIGHTS

Current Fiscal Year

- 7.0 percent rate increase and rate restructuring
- Revenues estimated \$109,000 higher than budgeted
- Expenditures \$862,000 below budget
 - \$273,000 Palo Alto Regional Water Quality Control Plant credit for prior fiscal year

Fiscal Year 2014-15

- 4.0 percent rate increase recommended (2.0 for PARWQCP Long-term Plan)
 - PARWQCP proposed cost increase of 2.8 percent
 - Projected future PARWQCP capital expenditures

WASTEWATER FUND RECOMMENDATIONS

Key Recommendations:

- Associate Civil Engineer position (0.15): \$25,500 Limited-Period
- SCVURPPP and NPDES Permit Fees: \$8,000
 Ongoing

SOLID WASTE MANAGEMENT FUND HIGHLIGHTS

Current Fiscal Year

- 7.0 percent average rate increase
- Revenues estimated higher than budget
- Expenditures slightly higher than budget reconciliation for FY2012-13 SMaRT Station cost were more than budgeted

Fiscal Year 2014-15

- 2.0 percent average rate increase recommended (3 percent for carts, debris boxes, and compactors; 1 percent for bins)
 - Recology increase 1.1 percent
 - SMaRT Station increase 0.31 percent
- Capital Improvement Projects \$276,000

SOLID WASTE FUND RECOMMENDATIONS

Key Recommendations:

- Recology Diversion Incentive: \$100,000 Ongoing
- Residential Food Waste Pilot Program: \$60,500
 Limited-Period
- Irrigation Water: \$37,000 Ongoing
- City Utility Increase: \$13,000 Ongoing
- Associate Civil Engineer position (0.05): \$8,500 Limited-Period

SUMMARY OF RECOMMENDED UTILITY RATE INCREASES

- Overall combined increase of 5.1 percent
- Water
 - \$3.46/month increase for 250 gal/day (10 units)
- Wastewater
 - \$1.05 residential monthly increase
- Solid Waste
 - \$0.70/month increase for one 32-gallon cart

UTILITY RATE COMPARISON SINGLE FAMILY RESIDENTIAL

	Mountain View	Palo Alto	Sunnyvale
Water (1)			
Current	\$54.46	\$69.22	\$39.44
Recommended	57.92	69.22	41.39
Recommended Increase	6.4%	0.0%	4.9%
Sewer			
Current	26.10	29.31	33.73
Recommended	27.15	29.31	36.77
Recommended Increase	4.0%	0.0%	9.0%
Trash (2)			
——Current	22.60	41.54	32.91
Recommended	23.30	41.54	34.88
Recommended Increase	3.0%	0.0%	6.0%

⁽¹⁾ Based on 10 units of water plus meter charge. Mountain View's meter charge for single family is for both 5/8 and 3/4 inch meter sizes. Sunnyvale, and Palo Alto have separate rates. This comparison uses the lower 5/8 inch meter rate.

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⁽²⁾ Mountain View and Palo Alto based on 32-gallon, Sunnyvale based on 35-gallon. Mountain View has biweekly recycling pick-up; Palo Alto and Sunnyvale have weekly recycling pick-up.

RESERVE RECOMMENDED ACTIONS

Reserves Supplements Recommended:

 General Fund R 	leserve (1)	\$ 915
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- Capital Improvements (2) 1,356
- Open Space Acquisition (2,488)
- Strategic Property Acquisition
 2,488
- Compensated Absences 1,400
- Workers' Compensation Self-Insurance
 800
- Liability Self-Insurance (500)
- Retirees Health Trust <u>1,000</u>

\$ 4,971

- (1) To be determined with the Adopted Budget
 - 2) To be determined based on actual results of Fiscal Year 2013-14

OTHER FUND AND RESERVES DISCUSSION

Council feedback requested on the following:

- Recommendations
- Utility rate changes
- Reserve Supplements

CITY COUNCIL MAJOR GOALS OUTLINE

- Reaffirm FY 2013-14 and 2014-15 City Council Major Goals and Projects
- Provide Status
- Council Advisory Body Input
- Department Goals/Projects/Initiatives
- Council Direction

CITY COUNCIL MAJOR GOALS FY2013-14 & 2014-15

- Retain and Improve Green Space and Canopy
 - 3 in progress
- Improve Bicycle and Pedestrian Mobility
 - 4 completed
 - 11 in progress
- Use Technology to Enhance Customer Service, Efficiency, and Advance the Mission of the Organization
 - 4 completed
 - 3 in progress

RETAIN AND IMPROVE GREEN SPACE AND CANOPY

Potential New Projects

- Look for opportunities to add garden space to existing open space (PRC)
- Look for opportunities to add off-leash dog parks to existing open space (PRC)
- Partnering with Mountain View Trees, offer tree walks and other information related to enhancing trees in Mountain View (Library)

IMPROVE BICYCLE AND PEDESTRIAN MOBILITY

Potential New Projects

- Initiate a green bike lane pilot project (HRC)
- Study greater access to bulk transit passes for residents (HRC)
- Study a City-wide community shuttle (HRC)
- Feasibility study of Caltrain corridor (PRC)
- Sidewalks on both sides of Central Expressway from Palo Alto to Sunnyvale (SAC)
- Implement "Library Bike Stop" grant form the Pacific Library Partnership, including a bike fix-it service station and bicycle focused programming throughout the year (Library)
- Partner with Safe Moves programs to provide bicycle events and information (Library)

TECHNOLOGY

Potential New Projects

- Make the City Council tentative agenda and agenda available and broadly accessible to the public (HRC)
- Utilize technology to help automate the public process for the business community (Downtown Committee)
- Develop online document retrieval and reviewing system and conduct a security assessment (EPC)
- Implement wireless printing to enhance the new City WiFi and meet the increasing demand from customers (Library)
- Procure and install "Way Finder" digital directional signage at City Hall (City Clerk, IT)

TECHNOLOGY (cont.)

Potential New Projects (cont.)

- Explore potential technology upgrades in the Council Chambers (City Clerk, IT)
- Implement a City-wide work order management system (IT)
- Commence implementation of an upgrade to the City's Financial System (IFAS) (FASD, IT)
- Implement online time reporting and scheduling system (FASD)
- Implement enterprise-wide electronic signature application (IT)
- Implement "Open Town hall" application into City's new website to encourage community input (IT)
- Launch a Code-for-America program to inspire community-driven programming (IT)

GOALS DISCUSSION

Council feedback requested on the following:

- Reaffirm FY 2014-15 City Council Major Goals
 - Ongoing projects
- New potential projects related to Council Major Goals
- Other potential new projects
- Revisions to department work plans

NEXT STEPS

- May 20– Proposed Capital Improvement Program
- June 10 First Public Hearing on the Proposed Budget
- June 17 Budget Adoption
 - Utility Rate Hearing (Prop 218)
 - Second Public Hearing on Proposed Budget
 - Capital Improvement Program Adoption
 - Goals Adoption